

Message Text

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PAGE 01 SANTIA 04903 162032Z

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TAGS: ELAB ECON CI

SUBJ: NEW SYSTEM OF UNEMPLOYMENT COMPENSATION

REF: A) SANTIAGO 3266; B) SANTIAGO 3311

1. SUMMARY. GOC HAS ISSUED NEW LAW PROVIDING UNEMPLOYMENT COMPENSATION OF 75 PERCENT OF SIX-MONTH AVERAGE WAGE SUBJECT TO BOTH FLOOR AND CEILING PAYMENT LIMITS. IN ADDITION, MUNICIPALITIES WILL OFFER EMPLOYMENT UP TO 15 HOURS PER WEEK AT RATE OF ONE-THIRD MINIMUM WAGE. THIS IS ONE GOC EFFORT TO SOFTEN BLOW FOR ESTIMATED 100,000 PUBLIC EMPLOYEES TO BE OUT FROM PAYROLL OVER NEXT YEAR WHEN PRIVATE SECTOR ALSO EXPERIENCING CUTBACKS IN EMPLOYMENT DUE LACK OF DEMAND. PROGRAM SHOULD SOFTEN FINANCIAL HARDSHIP OF UNEMPLOYMENT FOR THOSE WHO LOSE JOBS IN FUTURE BUT IN SHORT RUN WILL BE COSTLY. END SUMMARY.

2. DEGREE LAW NO. 603 PUBLISHED IN AUGUST 10 ISSUE OF DIARIO OFICIAL SETS FORTH SYSTEM FOR PAYING UNEMPLOYMENT COMPENSATION FOR BOTH PUBLIC AND PRIVATE SECTOR. TO BE ELIGIBLE WORKERS MUST BE INVOLUNTARILY UNEMPLOYED, MUST HAVE MADE YEAR'S CONTRIBUTION TO SOCIAL SECURITY (MAY BE DISCONTINUOUS), AND MUST BE ENROLLED ON UNEMPLOYMENT REGISTER.

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PAGE 02 SANTIA 04903 162032Z

3. THOSE RECEIVING BENEFITS WILL OBTAIN AMOUNT EQUAL TO

75 PERCENT OF AVERAGE MONTHLY INCOME SUBJECT TO SOCIAL SECURITY TAX OVER PAST SIX MONTHS. IN NO CASE WILL PAYMENT BE LESS THAN 80 PERCENT OF TWO SUELDO VITALES FOR SANTIAGO E0.25,440) OR MORE THAN 90 PERCENT OF FOUR SUELDO VITALES (57,240).

4. COMPENSATION WILL BE PAID FROM DAY OF APPLICATION TO LIMIT OF 90 DAYS WITH POSSIBILITY OF RENEWAL UP TO TOTAL OF FOUR 90-DAY PERIODS. IN CASE OF NATURAL DISASTER, PERIOD OF PAYMENT CAN BE PROLONGED FOR ADDITIONAL PERIOD UP TO 180 DAYS. IN ADDITION TO COMPENSATION, WORKERS WILL RECEIVE FAMILY ALLOWANCE WHICH AT THE PRESENT TIME IS E0.5000 PER DEPENDENT. COMPENSATION IS NOT SUBJECT TO TAXES.

5. FURTHER, MUNICIPALITIES WILL ORGANIZE SYSTEM OF ASSURED MINIMUM EMPLOYMENT TO BENEFIT THOSE RECEIVING COMPENSATION. THIS EMPLOYMENT MUST NOT EXCEED 15 HOURS A WEEK AND WORK SHOULD BE PERFORMED IN COMMUNITY WHERE UNEMPLOYED WORKER RESIDES OR LAST WORKED. COMPENSATION FOR THIS WORK WILL BE ONE-THIRD MINIMUM WAGE AND WILL NOT BE SUBJECT TO TAX. FUNDS FOR THIS MINIMUM EMPLOYMENT WILL BE PROVIDED BY NATIONAL TREASURY.

6. SEVERAL SOCIAL SECURITY INSTITUTIONS WILL FORM COMMON FUND FOR PAYMENT TO WLRKERS IN PRIVATE SECTOR UNDER NEW LAW. COMMON FUND WILL RECEIVE 2 PERCENT OF MONTHLY TAXABLE INCOME OF THOSE EMPLOYED AND WILL BE ABLE TO DRAW ON THE AVAILABILITIES OF ALL MEMBER INSTITUTIONS IN ORDER TO MAKE COMPENSATION PAEMENTS.

7. COMMENT: THIS IS ONE GOC MEASURE TO DO SOMETHING TO SOFTEN FINANCIAL HARDSHIP OF THOSE ESTIMATED 100,000 TO LOSE JOBS IN NEXT YEAR IN CUTBACK GOVERNMENT EMPLOYMENT (SEE REFTELS). THIS ESPECIALLY NECESSARY IN PRESENT SITUATION WHEN PRIVATE SECTOR EXPERIENCING LACK OF DEMAND FORCING CUTBACK OF EMPLOYMENT IN SOME AREAS. HOWEVER , THIS DECREE LAW WILL APPARENTLY DO NOTHING TO HELP THOSE CURRENTLY UNEMPLOYED OR WHO NEVER HAVE BEEN ABLE TO FIND STEADY WORK. WORKERS EARNING MINIMUM SALARIES SHOULD FIND LEVELS OF COMPENSATION NOT TOO DIFFERENT FROM PRESENT EARNINGS BECAUSE COMPENSATION AND GUARANTEED MINIMUM EMPLOYMENT NOT SUBJECT TO TAX AND UNCLASSIFIED

UNCLASSIFIED

PAGE 03 SANTIAGO 04903 162032Z

FAMILY ALLOWANCES WILL BE PAID. FOR EXAMPLE, PUBLIC SECTOR WORKER WITH THREE DEPENDENTS EARNING MINIMUM WAGE NOW RECEIVES E0.55,990 AFTER TAX AND WITH ALLOWANCES. UNEMPLOYMENT COMPENSATION AND MUNICIPAL EMPLOYMENT SCHEME WOULD PROVIDE HIM WITH E0.52,917 PER MONTH FOR UP TO ONE YEAR. HIGHER INCOME EARNING WILL FIND COMPENSATION LESS GENEROUS.

8. OBJECTIVE OF CUTBACK IN PUBLIC SECTOR EMPLOYMENT IS

TO REDUCE BUDGET DEFICIT, BUT REDUCTION IN SALARY PAYMENTS
WILL BE MORE THAN OFFSET IN SHORT RUN BY TRANSFER PAYMENTS
UNDER NEW LAW, WAGES PAID TO THOSE REHIRED IN GUARANTEED
MINIMUM EMPLOYMENT SCHEME, SEVERANCE PAY TO THOSE
DISMISSED (ONE MONTH'S PAY PER YEAR SERVICE) AS WELL AS
POSSIBILITY OF GOVERNMENT LOANS TO ASSIST THOSE DISMISSED
TO SET UP NEW ENTERPRISES. THESE EXPENSES WILL HAVE TO
BE MET THROUGH MONETARY EXPANSION AND WILL HAVE SIGNIFICANT
INFLATIONARY IMPACT.
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